

Property Tax Exemptions and Special Appraisals

All real and tangible property in Texas is subject to local taxation based on value, unless the Texas Constitution provides for a total or partial exemption. The Constitution also provides for special appraisals based on calculations that are different from those used to determine market value.

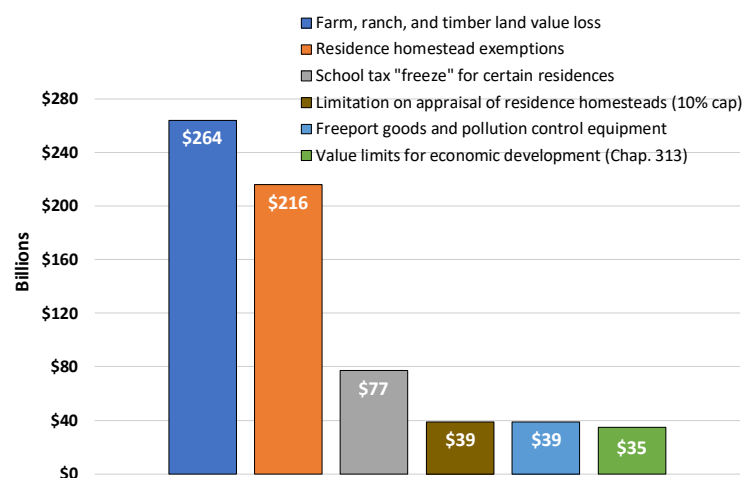
Things to Know

- Exemptions must be authorized by the Texas Constitution.
- About \$670 billion in property value was removed from school district tax rolls in 2017 by exemptions and special appraisals.
- About 22% of residential value for schools was not taxed in 2017 because of the residence homestead exemption and other limitations.
- Only 6% of business value for schools was not taxed in 2017 due to business exemptions.
- About 99% of the market value of farm, ranch, and timber lands was not taxed in 2017 because of special appraisals based on productivity.

The Texas Constitution requires that all real and tangible personal property must be taxed in proportion to value, unless the Constitution mandates or authorizes an exemption or special appraisal.

Exemptions are reductions in value—in whole or in part—that reduce property tax liability. Most exemptions are provided in the Property Tax Code; however, exemptions may be found in other codes.

Exemptions and Special Appraisal Value for 2017



Data Source: Annual ISD Self-Reports to Comptroller of Public Accounts

Exemptions and Special Appraisals

Total exemptions are those that exclude an entire property from taxation. In fact, the appraisal district does not even establish a value for these properties. The most notable properties that are totally exempt are:

- government-owned real and personal property used for public purposes;
- federal buildings and land, military bases, native American Indian reservations, and other property if exempt by federal law;
- household goods, vehicles, and other personal property not used to produce income;
- personal property used for farming or ranching purposes;
- cemeteries owned by non-profit entities;
- property used for charitable purposes by organizations specified in law, such as the hospitals, symphonies, museums, and certain housing;
- churches and clergy housing owned and used by religious organizations;
- private schools;
- hospitals providing charity care of at least 4% of net patient revenue or an amount that is reasonable for indigent health care;
- American Legion, VFW, and other property owned and used by veterans' organizations; and
- property owned and used by youth organizations, such as the YMCA and YWCA.

Partial exemptions are mainly provided for residence homesteads. The Constitution requires school districts to provide a mandatory \$25,000 residence homestead exemption. Also mandatory is a \$10,000 school district exemption for the residence homesteads of persons who are age 65 or older or who are disabled, which is extended to surviving spouses who meet certain qualifications. A mandatory county exemption of \$3,000 of residence homestead value exists for county roads and flood control.

Optional exemptions for residence homesteads may also be provided. All taxing units, including school districts, may exempt a percentage of value, not to exceed 20%, but not less than \$5,000. This optional exemption must be adopted by a governing body by

July 1 to be effective for the tax year. Taxing units may also provide a residence homestead exemption of \$3,000 or more through official action or by a favorable vote of a petition election for persons who are age 65 or older or who are disabled.

The value of a residence homestead that exceeds the appraised value for the previous year by more than 10% is exempt from all property tax in the current year. Another limitation exists for school taxes paid by homeowners who are age 65 or older or who are disabled. These individuals' school taxes are "frozen" and cannot be increased due to rising values or tax rates, including new bond debt, unless square footage or other improvements are added to the property. Counties, cities, and junior colleges may offer this limitation on a local option basis.

Business exemptions are limited. While household goods and personal property are largely exempt for individual owners, tangible personal property owned and used by businesses generally is taxable. Exemptions for business property include:

- tangible personal property and mineral interests valued at less than \$500;
- newly constructed improvements and installed equipment granted temporary tax abatements by taxing units, except for school districts;
- temporary limitations on appraisal of certain property for economic development purposes (school districts only);
- cotton stored in warehouses;
- Harris County raw cocoa and green coffee;
- pollution control equipment designated by the Texas Commission on Environmental Quality;
- landfill-generated gas conversion facilities;
- energy storage systems; and
- freeport goods in-transit and other goods in interstate commerce.

Farm, ranch, and timber land may qualify for special appraisal if it meets certain qualifications. The appraisal is based on the land's productivity. Owners of qualifying farm and ranch land pay taxes on about 1% of the land's market value.

